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# **The Struggle for the Soviet Far East: Political, Military, and Economic Trends Under Gorbachev**

Scott R. Atkinson

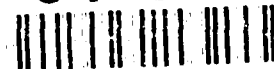


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Scott R. Atkinson

*Operations and Support Division*

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## ABSTRACT

In 1991, separatist forces seeking independence have become active across the USSR. In one of the most important regions, the Soviet Far East, such a trend is visible, although it has received scant attention compared to movements in the Baltic states, Moldavia, and other areas. The struggle for change in the Soviet Far East pits the conservative forces, consisting of mid-level Communist Party personnel, senior military, and some members of the defense industrial and intelligence community, against virtually everyone else. The encroachments that this powerful coalition hopes to block include opening Vladivostok, the creation of free economic zones (FEZs) with the participation of foreigners, the conversion of the defense industry, and the emergence of non-communist political figures and ideas (including a plan to create an independent Far Eastern Republic). This research memorandum examines recent trends in the region--political, military, and economic--and looks ahead to possible outcomes.

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## INTRODUCTION

In 1991, as chaos increasingly envelops the USSR, centrifugal forces continue their confrontation with President Gorbachev. The outcome is far from clear, especially since the Kremlin must counter more than just the largest movements, in the Baltic states, the Transcaucasus and Moldavia. National fronts are exploiting popular discontent in almost every other part of the country as well. One of those is the Soviet Far East region, including the Kamchatka Peninsula, the Maritime Province, and parts of Siberia. This region, although far less populous than the European part of the USSR, is significant because it contains much of the USSR's natural resources and borders Japan, China, and the Korean Peninsula. Considerable nuclear and conventional military forces are stationed here, including the largest of the Soviets' four naval fleets, based in Vladivostok. Finally, this region's importance would seem to be increasing, as the Soviets have become convinced that a "Pacific Century" is approaching.<sup>1</sup>

The struggle for change in the Soviet Far East pits the powerful forces of the old line, consisting of various members of mid-level party ranks, senior military, and members of the defense industrial and intelligence community, against virtually everyone else. The conservative coalition hopes to block popular movements, including those seeking to open Vladivostok and other key areas, to create free economic zones (FEZs) or special economic zones (SEZs) with the participation of foreigners, to convert defense industry, and to promote non-communist political figures and ideas. The conservative coalition has been on the defensive and has won a few engagements. Perhaps the most encouraging sign for those fighting to retain the status quo is the recent resignation of Foreign Minister Shevardnadze, a leading reformer, and the departure of Aleksander Yakovlev, a key architect of the "new thinking." Conservative forces also seem to be uniting just as their reformist opponents seem to be in disarray.

This paper focuses on some key issues of the internal battle-- political, economic, and military--in the Soviet Far East. Although the Soviet Far East is described as all territory west to Lake Baikal and the Lena River mouth, discussion centers on the Vladivostok-Nakhodka region. The paper does not include detailed analysis of Soviet foreign policy in the Far East, because that warrants a separate discussion. At the same time, the following section describes this policy in overview, so as to put internal Soviet policies in context.

## NEW THINKING AND THE "PACIFIC CENTURY"

Under Gorbachev, the pillars of traditional Soviet foreign policy have been shaken. The tenets of the Marxist-Leninist doctrine underlying the old policy have also been challenged. Interestingly enough, some nations in East Asia (particularly Japan and the "four dragons"--South Korea, Taiwan, Singapore, and Hong Kong) have played a central role in challenging one of the most important tenets of that doctrine, the concept of aggressive capitalist imperialism.

Dark depictions of the "imperialist threat" from the West were a staple of Soviet propaganda since the October revolution. Marxist-Leninist theory held that the industrialized nations of the West exploited the peoples of Africa and Asia, seizing their raw materials for a pittance, taking advantage of their cheap labor, and then using them as a captive market for finished manufactured goods. Worse, the West was said to use its political-military influence to install obedient regimes that would protect Western economic interests and crush any internal dissent. This theory was best expressed in V. I. Lenin's *Imperialism, the Highest Stage of Capitalism*.

Under Gorbachev, for the first time in Soviet history, this concept of imperialism was challenged by political and economic specialists who provided the background for the "new thinking" policy. Soviet economists claimed that imperialism, as Lenin knew it, was not so apparent anymore. Third World investments were not necessarily advantageous to the West; they could be a liability. Western firms did not necessarily force their way into Third World countries; they were often invited in, because they integrated host nations into the world economy and brought economic prosperity.

In the view of Soviet reformers, the "four dragons" proved that cooperation with capitalist industrial powers like the U.S. and Japan could produce real economic progress. Some Soviet commentators even began praising the transnational corporations' (TNCs) investment in the region (earlier, TNCs were likened to the tentacles of the aggressive imperialist octopus). Meanwhile, an increasing number of Soviet spokesmen criticized Soviet client states, noting that many of them had become economic basket cases.

These perceptions are linked to another key component of the Soviet "new thinking." By focusing on economic powers like Japan and the "four dragons," Soviet spokesmen were emphasizing economic aspects of national security. At the same time, "new thinking" adherents deemphasized U.S. military power and played up instead its steadily weakening international economic position. The theoretical basis for such views was provided by Gorbachev allies Aleksander Yakovlev and Yevgenii Primakov (from the Academy of Sciences Institute of World Economy and International Relations--IMEMO), and Eduard Shevardnadze at the Ministry of Foreign Affairs (MFA).

The *institutchiki*, civilian foreign affairs specialists and economists at the MFA or the Academy of Sciences, also played a key role in providing the theoretical basis for the new policy. They helped advance a new defensive doctrine in 1987, based on reasonable sufficiency. Gorbachev apparently used these civilian specialists to undermine (at least temporarily) the dominant position of the Soviet military in national security decision-making.

In the Far East, Gorbachev and the "new thinking" constituency seek to decrease Soviet military presence while upgrading Soviet economic power. Gorbachev's speeches at Vladivostok in 1986 and Krasnoyarsk in 1988 included a variety of arms control proposals. Still, the carrying out of the disarmament process, especially in regard to the Soviet Pacific Fleet, has been slow. Military opposition to the "new thinking," especially in the ranks of the Soviet Navy, has been considerable and grew stronger in 1990. By early 1991, it appeared that conservative forces, including the Soviet military, had compelled or convinced Gorbachev to yield to some of their demands. The crackdown in Lithuania is one indicator; Gorbachev's own more conservative rhetoric, repeating many of the slogans of conservative military leaders, is another.

Nonetheless, by upgrading its economic strength and establishing foreign trade in the Far East, the USSR seeks to forge new political relationships and become an influential player in the approaching "Pacific Century." As a recent Ministry of Foreign Affairs pamphlet declared, "increasing foreign economic ties for the country (USSR) in the Pacific is exceedingly important, not only for economic and social development of Siberia and the Far East, but also for strengthening the position of the USSR in the Asian-Pacific region."<sup>2</sup> Gorbachev himself said, while visiting Stanford University in June 1990:

Asia is developing rapidly according to its own logic, and offers striking examples of economic efficiency and international collaboration. The Japanese, the Chinese, the Koreans, and other Asian peoples have lessons to teach the whole world, including you and me.<sup>3</sup>

The new attention to the Asian-Pacific region under Gorbachev is reflected in several ways. First, positive assessments of Japan and the Far Eastern newly industrialized countries (NICs) have become common, contrasting sharply with the previous image of oppressed, backward appendages of the imperialist U.S. Second, the Soviets have launched a diplomatic "peace offensive" in the Far East, which has resulted in improved relations with its neighbors (except for North Korea, with whom ties have clearly soured). The reform process also brought about removal of many of the Soviet foreign policy cadres associated with old policies. Thus, holdovers from the Brezhnev era, removed early on, were Mikhail Kapitsa as deputy foreign minister (replaced by Igor Rogachev) and Central Committee specialists Oleg Rakhmanin and Ivan Kovalenko, who played leading roles in crafting Soviet policy toward China and Japan. Perhaps the most important event in the cadre renewal process was Foreign Minister Andrei Gromyko's resignation. He was succeeded by the reform-minded Shevardnadze, who in turn was succeeded by another "new thinker," Aleksandr Bessmertnykh.

Third, institutional expansion has occurred. In 1987, a new Far Eastern Branch of the Academy of Sciences was established in Vladivostok, and a new Soviet State Committee for Asian-Pacific Development was launched in March 1988, headed by Yevgenii Primakov. Fourth, the Soviets have joined or are attempting to join regional political and economic bodies, e.g., the Pacific Economic Coordination Council, the Pacific Basin Cooperation Study Group, and the Asian Development Bank.

Fifth, the Soviets have undertaken an "open-door" policy in their Far East. A reflection of this is preparation for FEZ or SEZ openings in many areas in their Far East (to be discussed in more detail later) and openings to several previously closed ports and districts. In early 1991, Magadan, Kolyma, and Chukotka were declared open by the Russian Soviet Federative Socialist Republic (RSFSR) government. Security along the Sino-Soviet border has been eased; as a result, bilateral trade has expanded rapidly. Americans and Japanese have also gained new access: there were 1990 visits to such places as the Sakhalin and the Kurile Islands, and even Petropavlovsk and the Kamchatka Peninsula. The Soviets have also expanded scientific-technical, cultural, and educational exchanges with Far East neighbors (except for North Korea).

Although reformist forces can count these and other changes as victories, several of their goals remain elusive. Perhaps the key force blocking their advance has been the Soviet military, which had long been the first consideration in regional development decisions.

#### CIVIL-MILITARY RELATIONS AND CONVERSION IN THE SOVIET FAR EAST

In the Soviet Far East, Gorbachev's *perestroika* rhetoric unleashed a flood of expectations for better living conditions among residents. These expectations were also connected with better access to the outside world, brought about by the "new thinking." Over time, however, economic conditions have worsened, and Soviet citizens have become increasingly restive.

The economic crisis, combined with *glasnost*, created a situation in which civil-military relations have moved in parallel with the economy--from bad to worse. The withdrawal of Soviet forces from forward regions such as Mongolia and the Sino-Soviet border is an important factor, because many have been redeployed or discharged in Vladivostok and other Far East areas. Thus, in Vladivostok, a severe housing shortage has been made worse by the arrival of thousands of homeless servicemen. This new competition for housing, along with new revelations about privileges of the military elite, has convinced some civilians that the military is once again going to get everything. Civilians are also affected by press coverage of excessive military secrecy, the excessive expense, radiation leaks and other environmental pollution caused by the local military, dangerous accidents and the scourge of *dedovshchina* (the

hazing of new recruits), and other factors. Economic decline, the weakening of societal mores expanding disillusionment, and the rise of a potent mafia have created an atmosphere of lawlessness in some areas. As a result of all this, civil military friction has gone beyond mere criticism; verbal taunts, physical assaults, and even murders have occurred.<sup>4</sup>

From the military's perspective, the situation has grown exceedingly difficult. The press has discredited the armed forces so thoroughly that draft-dodging and desertions have become common. Combat readiness has been hit hard: interethnic conflicts and hazing have risen, and troop discipline has slackened. Conscripts aboard Soviet Pacific Fleet combatants question their superiors and, at times, only reluctantly follow orders. To these problems can be added the poor living conditions and increased demobilizations causing unemployment. Strikes, caused by poor working conditions, were reported to have occurred aboard some Soviet naval combatants during 1990. Under the circumstances, it makes sense that the Soviet Navy is the first of the services in the armed forces to have recently adopted an experiment in full professionalization of some sectors.<sup>5</sup>

The downscaling of the Soviet armed forces has generated additional problems. Mothballing of naval ships has proven costly and controversial; as will be discussed later, disposal methods have aroused the indignation of local civilians. Then there is the difficult matter of conversion of defense industry. As elsewhere in the USSR, defense firms in the Far East region are faced with double blows--they must achieve self-financing (*khozrashchet*), i.e., they are no longer supposed to be subsidized by their ministries or the Ministry of Defense and must convert themselves to civilian life. Many have been ordered to produce civilian output far below their technological level for far less profit. Many firms are therefore losing money and skilled cadres, both of which seem to be heading for the new cooperatives. Most are scrambling to market whatever military output or services they can and are trying to find foreign partners for joint consumer goods production. Nonetheless, the overall conversion effort and the attempt to increase quality consumer goods have thus far been a disaster and have only exacerbated the already grave economic situation. Senior military, as well as defense managers, are sounding the alarm.

Commander-in-chief of Soviet Pacific Fleet Forces, Admiral Khvatov, as the highest-ranking military officer in the Soviet Far East, speaks with authority on the military's view of the situation. Like other military leaders, he is distressed by media attacks on the military and the present crisis in the armed forces and defense industry. At the 28th CPSU Congress in May 1990, Khvatov said of conversion:

We talk a lot nowadays about conversion. Of course, under conditions of armed forces reduction, conversion is needed. But the conversion needed is the kind that will not wound the interests of the Armed Forces, so that it is possible to ensure security.

And later:

The ship-repair system is such that it meets 70 percent of the fleet's needs. As a result of conversion, in 1995 we will slip to 50 percent. So will you say that, in view of this 50-percent reduction in fleet ship repair, is it possible to have high combat readiness?<sup>6</sup>

Soviet naval ship-repair and other firms supporting the Soviet Navy in the Far East are in the grips of the conversion process. Dal'zavod, the largest Soviet Pacific Fleet ship-repair firm, has been losing quality personnel and profits. To survive, the firm is seeking Japanese and other foreign partners to help it enter the foreign market in the area of repair services and consumer goods production. Former employees are joining, or are forming, cooperatives.<sup>7</sup> Design bureaus and defense R&D firms are also affected. For example, the Novosibirsk branch of the Academy of Sciences has experienced a "brain drain": 120 new cooperatives or development centers have formed in Akademgorodok, just outside Novosibirsk. These firms, which supposedly produced 40-50 million rubles' worth of services in 1990, are able to offer researchers better pay and working conditions.<sup>8</sup> Many of these cooperatives are signing joint ventures, provoking fears that some Soviet scientists will be attracted to long-term contractual work in the West.

Senior military leaders fear damage to war-fighting capability caused by this breakup of intellectual collectives formed over many years. The cooperatives, charging market rates, are also considered exorbitant by some; others complain that they act illegally and have connections with the increasingly omnipotent mafia network. Because some support firms are becoming more expensive and elusive,<sup>9</sup> the Soviet Navy is going without some secondary products and services.<sup>9</sup> Thus it is sure to seek substantial budget increases to meet new operating costs and is seeking unconventional ways to raise funds--such as charging Soviet fishermen for naval protection. In this regard, some naval officers have voiced frustration over the process of scrapping combatants--e.g., cooperatives have sprung up to buy the scrap steel and are making most of the money from it.<sup>10</sup>

#### CONSERVATIVE OPPOSITION TO THE NEW THINKING

Admiral Khvatov and other senior military have become increasingly vocal in attacking the new foreign policy line. They find the unilateral armed forces reductions especially traumatic. Like other military leaders, Khvatov tirelessly stresses the continuing threat of U.S. military capabilities and modernization. And unlike many Soviet civilians, he sees "new thinking" as a policy of weakness and one-sided concessions:

I think that if we are engaging in negotiations, and reach compromises, then we should receive reciprocal adequate reimbursement. How have we reached mutual understanding? We got it by unilateral reduction of the armed forces and by adoption of a defensive doctrine. It would seem that our potential enemies should give some sort of similar response. Even if it only means adopting new defensive doctrines. Have the doctrines of our potential enemies changed? No, they continue to be offensive, oriented to a position of strength.<sup>11</sup>

Beyond criticism of unilateral force reductions, some members of the High Command continue to oppose, at least indirectly, the new defensive doctrine of "reasonable sufficiency" announced in 1987. By the end of 1991, the new policy should have brought about a decrease of 120,000 troops in the Soviet Far East, as well as the withdrawal of 16 naval combatants from the Pacific Fleet (in addition to 57 combatants that the Soviets claimed to have retired since 1984).<sup>12</sup> Part of this scale-back includes reorganization of mechanized units into machine-gun artillery units, with a reduction in tanks, and cutbacks of 12 army divisions and 11 aircraft regiments.<sup>13</sup>

Despite this and other arms control measures designed to convey a more defensive posture, the Soviet Navy seems only marginally, if at all, affected. Submarine and other ship modernization continues, and many of the withdrawn combatants are merely aged ones that are being replaced or soon will be by more modern models. Thus the Soviets continue to commission new cruisers, submarines, and other combatants. Moreover, former Chief-of-Staff Sergei Akhromeyev, special adviser to Gorbachev on arms control, said in 1990 that no further unilateral arms control measures would be taken in the Soviet Far East; he also ruled out further arms cuts on Sakhalin or the Kurile Islands.<sup>14</sup>

Soviet naval strategy also seems scarcely affected by the "new thinking." The top Soviet Navy officer, Admiral V. Chernavin, sees no reason to play a passive role of coastal defense in the waters off the Soviet Pacific and calls for taking the battle to the opponent--the U.S. Navy.<sup>15</sup> Thus he and other naval officers plan to retain various war-fighting options, and promote continued aircraft-carrier deployments.<sup>16</sup> With the projected missions he and others have set out for the Soviet Navy, the argument is sure to be made that Vladivostok, as a closed naval city, is essential to future Soviet national security.

#### VLADIVOSTOK: OPEN OR CLOSED?

Admiral Khvatov, not surprisingly, has opposed plans for FEZs or further opening at Vladivostok. His opposition cost him the first Soviet multicandidate elections to the revamped Supreme Soviet in the spring of 1989. He is supported, however, by Defense Minister Dmitrii

Yazov and other military leaders in his position on Vladivostok. In his July 1989 confirmation hearings, Yazov countered critics by arguing that Vladivostok was not a very closed city anymore, noting that in the preceding six months, 39 foreign delegations had come through (Vladivostok reopened for some international shipping in 1988). In his speech, Yazov also requested funds for conversion of facilities:

We need this, first of all, in order to know who comes there and from where; Vladivostok was formed and set up as a large naval base. The naval headquarters, the main storage, and all the depots are situated there. All this should be removed, but to remove all this from there--we discussed all these questions with Vitaliy Ivanovich--307 million rubles are required, no more, no less.<sup>17</sup>

At a time of economic crisis, Yazov is wise to emphasize the heavy costs involved with relocation and conversion. It is noteworthy that he and other senior military have also employed this tactic to slow the arguments in favor of an all-professional armed forces. A September 1990 report indicates that the military may have considerably raised Yazov's initial estimate of relocation costs. This report, from local "informal" groups, is that the military demanded 4 billion rubles to relocate and 20 million rubles to defend the communications network around Vladivostok.<sup>18</sup>

In the lower ranks of the military, opposition to port opening is more muted; some sailors believe a FEZ or SEZ could improve the desperate economic situation, of which they, unlike the High Command, are acutely aware. Still, there is concern of the type expressed by a Soviet sailor during the U.S. Navy visit to Vladivostok in September 1990: "If there is a free economic zone, where will we go?"<sup>19</sup>

In contrast to the military view, Gorbachev and other civilian leaders have supported a port opening. Gorbachev, in September 1988, called Vladivostok the Soviet Union's "international gateway to the east" and promised to open the city as soon as possible.<sup>20</sup>

Former Foreign Minister Shevardnadze, who has already done much to earn himself the enmity of the Defense Ministry, brought his authority to bear on the Soviet Navy over the Vladivostok issue. During the third Vladivostok conference, entitled "The Asian-Pacific Region: Dialogue, Peace and Cooperation," Shevardnadze voiced annoyance over the continued closed status of the city. He said that "decisions made at the top level are being carried out in a sluggish manner."<sup>21</sup> He was referring to Gorbachev's decision and the military's foot-dragging. Another Gorbachev ally calling for opening Vladivostok is Yevgenii Primakov. During the first Asian-Pacific security conference, held there in 1988, Primakov said:



I have no doubt that the city should be opened completely. I don't think the city should be off limits just because the Soviet Pacific Fleet headquarters is in Vladivostok. The Soviet Armed Forces General Staff is in Moscow: should Moscow be closed?<sup>22</sup>

Many lower-level civilians have made similar comments. Since Gorbachev's 1988 statement, there have been scattered reports of the imminent official opening of Vladivostok, as well as preparations to that end.<sup>23</sup>

At the tactical level, the key to port opening seems to be control of select waterfront sites on Golden Horn Bay, the city's central moorage. Local politicians, backed by the public, are fighting to take these from the Soviet Pacific Fleet Command. In order to accept more foreign commercial traffic, a goal of the local community, rebuilding waterfront facilities is necessary.

As elsewhere in the USSR, a number of non-communist political groups, often called the "informals," have emerged to take advantage of local frustration related to Vladivostok. The emergence of these groups has come at the expense of the Communist Party. The informals, working with the local press, have undermined several party leaders by publicly uncovering scandalous privileges and perks. New revelations in regard to unpublicized trips to Japan to buy cars for personal use with state funds and to other forms of corruption have brought down a number of members of the party apparatus. Party members in Vladivostok, like the military, are often demoralized and unpopular. For this reason, and because of shame associated with the scandals, many are leaving the party.<sup>24</sup>

The informals clearly took the offensive against the party over the 1988-90 period. In February 1990, the informals participated in the Primorskii Krai Party committee plenum for the first time, pressuring Communist Party leaders on a number of issues. The FEZs are one of the most important. Although not all local politicians reflect the public's eagerness for the Vladivostok FEZ, few will openly admit opposition these days. Those who lag behind popular opinion on issues like increasing local autonomy against the republic ministries, such as Primorskii Krai Party Committee chairman Y. Volyntsev, find themselves singled out for attack.

Under the circumstances, top Soviet Navy officials, in concert with conservatives in the party apparatus, have a difficult task ahead in trying to avert a full port opening and easier access for foreigners into the city. In the fall of 1990, there were repeated reports that certain sections of the city would be opened in 1991. More importantly, at a September 1990 meeting, the Vladivostok City Council declared the city open "to free enterprise with the participation of foreign capital." The Council deputies called for the RSFSR Supreme Soviet and

the Council of Ministers to lift any of their restrictions to opening the city, and the Council planned to begin negotiations shortly thereafter with the Soviet Pacific Fleet Command and the Far Eastern Military District to "demilitarize" the city.<sup>25</sup> In July, the RSFSR parliament declared the Primorskii Krai--including Vladivostok and Nakhodka--a SEZ, and planned to set up a body to coordinate and regulate foreign business activity. Boris Yeltsin, recognizing public frustration over conservative foot-dragging during his August 1990 visit, threatened to open the city if the Soviet government would not. Thereafter, several reports indicated the possibility of opening the city in early 1991.<sup>26</sup> A major timing point in the battle was reached on February 2: the Ministry of Defense opened the city's airport to foreign traffic.<sup>27</sup> This is a critical move, for this and rebuilding the airport (which is planned) will attract foreign business and possibly aid in creating a FEZ.

Several foreign firms have already signed contracts and are planning to begin operations in the city soon. A ROK firm is planning to build a hospital, and Hyundai plans to open a branch office, with an eye for a variety of joint ventures. Japan's Canon has formed a joint venture with the Soviet firm Varyag for selling duplicating technologies.<sup>28</sup> ERA, a Soviet naval electronics firm, has begun a venture in household appliances production with Japan's Nispon.

Nonetheless, even if Vladivostok is fully opened, foot-dragging and conflicts over jurisdiction are apt to continue in the near term. Foreign firms expecting to undertake ventures approved by the Vladivostok City Council may face opposition and obstacles from the Primorskii Krai Soviet or republic bodies. Foreign firms will find, in some cases, that their proposals provoke time-consuming legal and jurisdictional battles. And there are a plethora of other operational difficulties facing foreign firms, to be discussed later.

#### THE SOVIET MILITARY AND THE ENVIRONMENT

Many locals in Vladivostok are eager for a port opening-FEZ arrangement for reasons other than economic opportunity. They hold the Soviet Navy responsible for the severe pollution in the bay and at ammunition dumps nearby. Thus, a key issue in current Soviet civil-military relations has been raised: the interaction of the military with the environment.

Before Gorbachev, the Soviet military did not need to give much thought to environmental damage, because press exposure was minimal and criticism of the military was not tolerated. Now, faced with demonstrations, provocations, and hostile media coverage, the military must respond. Locals have put pressure on the local political leadership not to allow the Kirov-class cruiser *Frunze* berthing because of possible radiation leakage.<sup>29</sup> In 1989, the nuclear-lighter carrier *Sevmorput'* was also refused initial port entry, after having been refused at Magadan and Nakhodka; again, locals feared radiation

leakage.<sup>30</sup> In the end, the ship was accepted into Vladivostok, whereupon officers from the ship gave public tours to demonstrate safety features.

The Soviet military faces anti-nuclear, environmentalist movements elsewhere in the Soviet Far East as well. North at Vanino, on the Amur River delta, where a submarine base is located (Sovetskaya Gavan), a major civil-military confrontation has occurred. Residents demonstrated against the removal of nuclear reactor cores from submarines, part of the process of taking them out of service, in the summer-fall of 1990. They also demanded that the Soviet Navy submit a plan for ecological restoration of damaged sites. Local political leaders demanded that the reactors be kept on board and that the submarines leave. Admiral Khvatov countered by insisting that there was no danger from leaking radioactivity and maintained that relocation would be costly and difficult. Khvatov and Rear Admiral V. Kuroyedov (backed by Admiral Chernavin)<sup>31</sup> also offered to allow local officials to come aboard to see that no nuclear waste was being dumped in the bay, as papers had reported. Khvatov, however, did suspend, at least temporarily, the removal of the reactors and has been negotiating with the City Council chairman; he also unveiled a plan to remove submarines from the bay over the 1991-94 period.<sup>32</sup>

In addition to these incidents, a rash of reports of military accidents have further tarnished the military's image. In August 1990, a series of missile firings and shell explosions were reported from Pyutativ Island near Vladivostok; investigators believe sabotage was involved.<sup>33</sup> Sabotage is also linked to missile firing at an anti-aircraft unit on November 15.<sup>34</sup> Some of the shells hit residential areas in Vladivostok. The explosions have added to public antagonism toward the Soviet Navy in particular.<sup>35</sup>

#### SEPARATISTS IN THE SOVIET FAR EAST

The new environmentalism is linked to another threat for right-wing forces. Separatist political groups are rapidly gaining strength under anti-union, Russian nationalist, and (at times) anti-communist positions. As elsewhere in the USSR, resentment of the central government in Moscow has swelled in the Soviet Far East. Residents claim to have been exploited--that, despite a great wealth of natural resources, the regional economy is in poor shape.<sup>36</sup> As in other peripheral areas of the USSR, local "informals" charge that Moscow has carried out a colonial, exploitive policy, taking raw materials out of the Far East and giving little, other than environmental degradation, in return. Against this background, the Soviet military, along with party apparatchiks, stand as the symbol of the old imperial policy.

This endemic Far East consciousness has gone far beyond mere complaints about central control. Some local political bodies, as well as radical "informals," have begun calling for an independent Far Eastern republic, and the idea has become a hot issue in the local

press.<sup>37</sup> Soviet Consul V. V. Slatkov, at a February 1990 meeting with political leaders in Osaka, Japan, said that "the extensive Far East region, covering Siberia, the Maritime Province, Sakhalin, and Kamchatka will become an independent republic."<sup>38</sup> He said that the Supreme Soviet planned to discuss the issue soon, but that it mattered little because a majority of the people in the region had already made up their minds. Economic integration activity, between the regions of the Soviet Far East--the Khabarovsk and Maritime Krai, and the Amur, Magadan, and Kamchatka oblasts--is well under way. Each region's leaders signed an economic integration treaty on November 25, 1990.<sup>39</sup> Parallel political efforts seem to be under way: in February 1990, Supreme Soviet deputies from the region decided on forming a regional group representing Siberia and the Soviet Far East.

A central issue in the autonomy struggle is control of local and regional economic assets. Local political leaders and other proponents of decentralization have complained that roughly 90 percent of all enterprises and resources in the Far East are controlled by all-union ministries. Local budgeting, for various social and infrastructure needs, suffers correspondingly.<sup>40</sup>

More ominous are reports that a paramilitary armed force, loyal to either the new Russian republic or a Far Eastern one, is in training outside Vladivostok.<sup>41</sup> This force may be tied to the new Far Eastern Republican Party of Freedom (FERPF), an apparently militant group that calls for a Far Eastern republic with its own army. This group also advocates the right to bear personal arms for legal protection,<sup>42</sup> perhaps because of the sharp increase in local crime. This and/or other paramilitary groups have been stealing weapons from depots in the Primorskiy Krai.<sup>43</sup> These same groups may be involved in the acts of sabotage near Vladivostok mentioned above. In the context of arms theft and paramilitary forces, it is noteworthy that Russian Republic President Boris Yeltsin has threatened recently to build a Russian army should the central Soviet government violate Russian interests.<sup>44</sup>

The emergence and contours of a Far Eastern republic are hard to imagine; however, if it were to include all territory traditionally considered to be the "Soviet Far East," it would comprise all Soviet territory west to Lake Baikal and to the Lena River mouth. This region, although it contains only 2.6 percent of the Soviet population and contributes just 3 percent of Soviet GNP, contains 27 percent of Soviet territory, 30 percent of its coal and hydroelectric reserves, and vast oil, precious metal, and timber reserves.<sup>45</sup> It also possesses rich fishing grounds (especially off the southernmost Kurile Islands, over which it continues to struggle with Japan). This profile of natural resource wealth and massive size gives the Far East region a status rather like that of Alaska to the United States.

Nonetheless, the Soviet Far East region has not benefited from its natural resource wealth the way one might expect. The relative isolation and severe winter climate (Vladivostok, one of the warmer

places in the region, has a January mean temperature of 7°F.) have been partially responsible for the lack of economic development and relatively sparse population. Labor, transport, and the extraction of raw materials are expensive. Overall population in the region has increased by just 3 million in the last 30 years. Overall productivity is said to be a third less than that of western Siberia and a quarter less than eastern Siberia.<sup>46</sup> The region, in fact, is subsidized by the rest of the USSR and is said to consume 50 percent more than it produces.

In the 1960s, there were plans for massive investment in the infrastructure of the region. They were never fulfilled. Similarly, the State Plan for Development of the USSR 1986-2000 earmarked 200 billion rubles for the Soviet Far East, but the plan was shelved in 1987.

FEZs, it is hoped, will provide for the investment resources that the Soviet budget lacks. Specialists at the Soviet Academy of Sciences are presently reworking the State Plan noted above, weaving in a major role for FEZs.

#### THE FEZ IN PERSPECTIVE

Since 1988, many Soviet economists have written favorable assessments of FEZ-SEZs in the Soviet press.<sup>47</sup> They applaud the role the zones play in integrating host nations into the world economy, and in establishing a competitive technological base. Therefore, Soviet goals in the zones are several: (1) to quickly improve economic conditions locally and beyond by increasing the output of consumer and other scarce goods, (2) to integrate the Soviet Far East into the economy of the region, (3) to gain access to Western management know-how and technology, and (4) to establish a manufactured-goods export sector, in the long run.

The FEZ is designed to create the most favorable possible conditions for attracting foreign investment and business. This means flexible licensing and other regulatory arrangements, lower taxes on profits and fixed assets, the availability of cheap Soviet labor and raw materials, free choice of financing arrangements, and freedom to remove and transfer labor and to set prices. Joint ventures are preferred in the FEZs, but at times Soviet spokesmen have said that entirely foreign-owned firms would be allowed as well.<sup>48</sup> Originally, Soviet laws stipulated that joint ventures be 51 percent Soviet-owned; that provision was struck down in 1989. Following this, the Yeltsin government, typically, jumped ahead of Moscow by declaring in July 1990 that 100-percent foreign investment is allowed in the region.<sup>49</sup>

Despite favorable discussion of FEZs in the Soviet press 1988-90, press opposition to them became apparent in the latter half of 1990. A sharp attack on the zones appeared in the December issue of the prestigious scholarly journal *MEiMO* (*Mezhdunarodnaya Ekonomika i*

*Mezdunarodniye Otnosheniya*). This article discounts nearly all of the favorable effects of FEZs for the host nation and emphasizes foreign firms' exploitation of the host nations.<sup>50</sup> Around the same time, another economist warned that

In places, the zones are seen exclusively in glowing colors, that is to say, by means of foreign capital, as a way of resolving all local problems, but without a clear understanding of with what capital to then settle accounts. But indeed in the course of this, certain social tensions in the zones are possible, for the market economy can lead to bankruptcy for firms, increasing prices, unemployment, and revival of the black market.<sup>51</sup>

Despite the fact that opposition to FEZ-SEZ arrangements has become more apparent, proponents continue their pressure. Nearly all cities in the Soviet Far East have developed pressure groups calling for FEZ activity, and several cities' councils have declared FEZs. For Soviets wishing to establish a FEZ, attracting a foreign firm seems to be a prerequisite. Despite considerable public support for a FEZ in Vladivostok, prospects seem to be more favorable at other sites. The top candidate is Nakhodka, the commercial counterpart to Vladivostok. As of 1990, a FEZ is said to be unofficially in effect at Nakhodka.

#### THE NAKHODKA FEZ

Because previous exposure to foreign firms seems to be an important criterion in choosing FEZ sites, it is only natural that Nakhodka, Vladivostok's commercial counterpart, is in a leading position. Nakhodka has long been the most international of the Soviet Far East ports, having had direct ferry service to Niigata, Japan, and fishery joint ventures with Japanese firms for some time. Historically, Nakhodka has received the bulk of foreign shipping in the Soviet Far East.

Many foreign firms are seeking joint-venture opportunities in Nakhodka. In 1989, there were 225 foreign business delegations, more than in the previous 15-20 years.<sup>52</sup> Hyundai is to play perhaps the key role in Nakhodka. The South Korean giant recently signed a deal that involves it in a series of Nakhodka projects, including construction of a shipyard as part of a ship-repair venture. There are also plans for furniture and soap-producing plants, a coal-handling facility, and other projects.<sup>53</sup> Hyundai has also pulled its ship-repair capabilities into play. In a contract with the Soviet Far Eastern Shipping Company, Hyundai's Mipo Shipyard in Pusan repaired and refitted 30 Soviet ships in 1990. A direct sea lane and container route between Pusan and Nakhodka is being established as well. In Nakhodka, Hyundai has also recently signed a ship-repair agreement with Primorremrybflot, a Soviet

concern that possesses much of the local fishing fleet. Hyundai will provide equipment and engineers; the Soviets will provide dry docks, cranes, and laborers.<sup>54</sup>

Nakhodka has already become a FEZ in 1990; however, where, precisely, the FEZ exists and what the legal regime is that governs foreign entities there are difficult to assess. Apparently the Nakhodka FEZ is presently developing as an industrial park for processing forestry and marine products on a 320-square kilometer plot, situated between Nakhodka and the new port at Vostochnyy.<sup>55</sup> As of December 1990, the Nakhodka FEZ has not been officially sanctioned, despite the fact that the Soviet government reached a decision "in principle" that Nakhodka would become one of the first three Soviet FEZs in 1990.<sup>56</sup>

A number of problems must be overcome for the Nakhodka FEZ to function properly, and many of the problems will be encountered in other sites attempting to undertake FEZ-SEZ functions. Even in commercial Nakhodka, forces defending the status quo are considerable.

Another opponent of the FEZ in Nakhodka, according to one source, is the All-Union Ministry of the Merchant Marine. It is said to have almost a billion rubles' worth of fixed assets in Nakhodka, and considers the FEZ an encroachment on its interests.<sup>57</sup> A reflection of this ministry's opposition is a warning statement by Yuri Merinov, Party First Secretary of the port of Nakhodka, who says foreigners can set up enterprises in the city but will find no workers because of the acute labor shortage.<sup>58</sup> More likely, Merinov is worried that the foreign firms, offering higher wages and benefits, will draw away skilled workers from firms servicing the merchant marine.

Another hurdle is winning the trust of foreign investors and businessmen. Often, the Soviets have not been up to the task. Already by early 1990, some Nakhodka city officials complained of declining foreign interest.<sup>59</sup> Negative publicity has been generated by the unfavorable performances of several ventures in the region, such as Igrim-Taikiru, a Soviet-Japanese timber concern. This venture, one of the bigger Soviet-Japanese ones, has been operating at a loss since opening in March 1988.<sup>60</sup>

Infrastructure-related difficulties are massive, even in Nakhodka, and operating conditions are relatively harsh. For example, raw sewage dumped directly into Golden Horn Bay has probably contributed to outbreaks of typhoid, hepatitis, and cholera that have followed storms. Nakhodka's FEZ will need considerable infrastructure-related investment. One economist wrote that 600 million rubles will be necessary. He foresees creation of a joint-venture association of firms operating in the FEZ as the main source of investment.<sup>61</sup>

An important component in the opening of Nakhodka is rebuilding the city's main airport, which until recently was geared primarily for military traffic. During 1990, this work was underway, funded in part by American firms.

The port at Vostochnyy, 20 miles east of Nakhodka, has been rebuilt with high expectations of FEZ activity. Completed in 1989, the rebuilt port includes a state-of-the-art container terminal, coal and timber-handling facilities, and a radar-controlled navigational facility. The container terminal is linked to the Trans-Siberian railway by a recently completed spur. The aim is to promote the railway as a land bridge for container products from Asian countries headed for Europe.<sup>62</sup> There has apparently been a substantial increase in foreign goods passing through the facility, to the point that they have overloaded the railroad. As a result, in January 1991, the Soviet government announced that it would open Vanino to foreign shipping and that the port's container terminal is also being rebuilt.<sup>63</sup>

#### FEZs: OTHER SITES

Outside of Nakhodka and Vladivostok, many other coastal and inland areas are being considered for FEZs. Among the coastal areas are southern Sakhalin Island, De-Kastri, and the southernmost contested Kurile Islands (which Japan claims); inland there are sites like Khasan, Blagoveshchensk, and Khabarovsk.

The southernmost four Kuriles were often mentioned as a candidate FEZ site during 1989-90, in part as an apparent means of quelling Japanese demands to return the islands. Soviet leaders have suggested turning the four islands into a "free tourist zone" and have made Japanese travel to the islands somewhat easier, although there are plans to ease travel restrictions still more. Foreign Minister Shevardnadze suggested joint environmental research on the islands with Japan, and Yeltsin's five-point plan for "returning" the islands includes an initial period of FEZ status. The possibility of the "northern territories" becoming a FEZ were further enhanced recently by the islands' natives voting in favor of a referendum granting the area FEZ status.<sup>64</sup> Valentin Fedorov, the governor of the Sakhalin Province (which jurisdictionally includes the contested islands), has also promoted a FEZ for the area.

Fedorov also called for an experiment on Sakhalin itself that would allow for maximal political and economic freedom. By February 1991, all-union ministries had reportedly handed over control of all enterprises and resources on the island to Fedorov's Sakhalin Oblast Soviet, thus clearing the way for a Sakhalin FEZ.<sup>65</sup> The Supreme Soviet of the Russian government, meanwhile, had awarded Sakhalin SEZ status in July 1990. There are already a number of new ventures on the island, primarily with the Japanese, in fisheries, mining, timber, and tourism. Japanese business and other contacts on southern Sakhalin are not new, but have clearly increased lately. Foreign business activity has increased to the point where a foreign business insurance firm has been established, and regional bank is being set up.



De-Kastri's prospects as a FEZ site were enhanced in October 1990 when the Japanese Nichimen Corporation signed the largest Soviet-Japanese timber-harvesting venture yet, with the Soviet Far Eastern Forestry Corporation. The new venture, called Samon, will annually export 27,000 cubic feet of lumber to Japan; a processing plant will be built in De-Kastri, to begin operations in the fall of 1991.<sup>66</sup> Upriver from De-Kastri, at Amursk, an ROK firm has signed a contract with a Soviet chemical firm, Polimer, to produce microwave ovens.

Khabarovsk has attracted more foreign attention than most Far East areas. Ten Japanese trading companies have established branch offices there, as have several from other nations. Among the recent joint-venture deals signed there with the Japanese are those for construction of a boat factory and several facilities for processing marine products. Several joint ventures have begun operation, and Alaskan Airlines (U.S.) will initiate service to Khabarovsk and Magadan from Anchorage, starting in the summer of 1991.

Khasan has often been mentioned as a FEZ site, and has attracted the interest of both Japanese and American investors. A major plan for development of the Tumen River basin has also enhanced Khasan's FEZ prospects.<sup>67</sup>

Despite a burgeoning number of Soviet-Japanese deals in 1990, some Soviets fear Japanese intrusion and prefer to do business with the South Koreans and Americans. There have been several press attacks on Japanese business activities in the region. One recent Soviet statement criticized former timber ventures with the Japanese as beneficial only to Japan.<sup>68</sup> The Igirma-Tairiku timber venture has been similarly criticized by Soviet citizens, and V. I. Kochergin, a Soviet chief engineer in the venture, has noted that the Japanese side has not delivered some of the high technology required by contract;<sup>69</sup> others have complained that timber ventures with Japan have always been in Japan's favor. Sakhalin officials have recently declared that raw materials will no longer be shipped directly to Japan; local industries will process the raw materials first and then export them.<sup>70</sup> Finally, Soviet locals responded negatively in the press to a proposal by the president of Toho Seimei, a Japanese firm. His plan was to invest \$4 billion in a strip of land south of Vladivostok to create a "Soviet Far Eastern Singapore."<sup>71</sup>

## CONCLUSION

Whether Soviet or Russian republic leaders will unlock the Soviet Far East's untapped potential in the next decade is a central question. In early 1991, the notion that Vladivostok will become an "international gateway to the Asian-Pacific region," much less a FEZ, seems increasingly unlikely. Gorbachev's attitude toward opening the Soviet Far East possibly underwent change during 1990, when he recognized that separatist trends there could bring problems like those in other border areas. If conservative forces continue their advance, it is possible that FEZ-SEZ preparations and other forms of activity involving foreigners will slow considerably.

Civil-military relations in the Soviet Far East are likely to improve in the near term, as certain reforms in the military structure take shape. Professionalization, in whatever form, and possible press controls will likely weaken the military's critics. Other measures on the part of the military will be necessary, however, including new public relations efforts aimed at assuaging environmental and other concerns.

The future of Vladivostok is, in many ways, the key issue in the Soviet Far East and the best indicator of whether the "new thinking" is to persist. The creation of a FEZ in Vladivostok, or a full port opening, would amount to a huge setback for the Soviet Navy. The Soviet Navy would probably opt to move at least part of its assets to Petropavlovsk, a costly move in both financial and geostrategic terms. At the time of writing, any of these developments seem rather unlikely in the near future. The same can be said for joint management with Japan or demilitarization of the Kurile Islands, especially after Gorbachev's April 1991 visit to Japan. Nonetheless, amid gathering gloom about Soviet "new thinking" in the region, a major breakthrough was announced in February 1991, when Vladivostok airport was opened to foreign aircraft.

The development of an independent Far Eastern Republic seems unlikely, but growing political and economic chaos could enhance its prospects greatly. The independence movement is still in an embryonic stage and far less advanced than movements in the Baltic or elsewhere. Putting down such a movement would no doubt be easier as well. Nonetheless, even by itself, the independence movement, like other new trends in the region, is indicative of the degree to which Soviet life has become fragmented. Further, appeals for economic autonomy and regional integration were the starting point for other independence movements, which subsequently undertook more serious challenges to Kremlin authority.

Even with greater conservatism, Kremlin leaders may allow policy variants in the Soviet Far East absent from European Russia, as has happened in the past. Thus the Far Eastern province, created after the Bolshevik Revolution in 1917, featured greater autonomy and economic freedom than other areas in the USSR. Present efforts to build a Far Eastern republic may fail, but could well bring greater local regional control over resources and greater influence in policy-making. Continued economic decline, it should be remembered, could bring about an explosion. Moreover, a turnaround in the economy is vital--for conservatives and liberals alike. In this context, it is ironic that the conservative backlash could actually weaken the Soviet Union further over the long run, including its military competitiveness. Developing the Far East region may be the only way to really initiate *perestroika* and revive the Soviet Union's status as a superpower.

# NOTES

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- [4] Forty-nine attacks on Soviet servicemen are reported to have occurred in Vladivostok from the Jan-Nov 1990 period alone. Foreign Broadcast Information Service Daily Report, Soviet Union (hereafter, FBIS, *DR/SOV*). "Hooligans Kill Servicemen in Vladivostok," 7 Dec 1990, p. 92; "Warrant Officer Killed in Vladivostok," FBIS, *DR/SOV*, 14 Jan 1991, p. 15.
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- [11] Khvatov's speech, op. cit., pp. 19-20.

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- [12] Among many sources for the figure of 57 combatants, see statement of Nikolai Amel'ko, former Commander of Soviet Pacific Fleet naval forces, "Soviet Troop Cut Said To Cover Pacific Fleet," FBIS, DR/SOV, 17 April 1989, p. 3; "Expert Views Troop Reductions in Far East," FBIS DR/SOV, 23 Jan 1991, p. 7; Kozin, op. cit.
- [13] "Ground Forces To Reorganize in Far East," FBIS, DR/SOV, 23 Jul 1990, p. 15; "Far Eastern Military Commander Interviewed," FBIS, DR/SOV, 12 Dec 1989, p. 16.
- [14] "Akhromeyev Views Soviet Arms Cuts in Interview," FBIS, DR/EAS, 21 May 1990, p. 6.
- [15] E.g., V. Chernavin, "Vysota komandirskogo mostika," *Morskoi sbornik*, No. 1, 1990, pp. 18-28; V. Cherbakov interview with Admiral V. Chernavin, *Pravda*, 19 Oct 1989, p. 3.
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- [32] I. Zolotarev, N. Semchenko, "Lozhnaya trevoga," *Vodnyi transport*, 14 Jun 1990, p. 1; A. Pilipchuk interview with Rear Admiral D. Alpatov, "Where to 'Bury' Nuclear Ships," *Krasnaya zvezda*, 28 Jun 1990, p. 2, translated as "Safety Worries Rise Over Scrapping Nuclear Subs", FBIS, *DR/SOV*, 20 Jul 1990, p. 34; Captain-Lieutenant A. Ivanov, "Kak umirayut podvodniye lodki, i," *Krasnaya zvezda*, 8 Sep 1990, p. 4. On Khvatov's offers to allow officials ship access, and his plan to remove the submarines by 1994, see Lieutenant Colonel V. Knyazev, "V atmosfere nedoveriya," *Krasnaya zvezda*, 26 Jul 1990, p. 3. Also Captain First Rank A. Pilipchuk, "What the Stars Are Made Of," *Krasnaya zvezda*, 2 Sep 90, p. 2, translated in FBIS, *DR/SOV*, 31 Oct 1990, p. 59. The Soviet Navy is also suing the writer (a naval reservist!) who started the controversy with an inflammatory article. Senior Lieutenant A. Ivanov, "Flot obrashchayetsya v sud," *Krasnaya zvezda*, 5 Aug 1990, p. 1.
- [33] Yuriy Balakirev, "Grokhochut vzryvy u poselka," *Izvestiya*, 3 Sep 1990, p. 4. Also Greg Vistica, "Vladivostok opens its dreary doors to the world," *San Diego Union*, 21 Oct 1990, pp. C1-C7. Other lesser accidents were reported during the period as well.

NOTES (Continued)

- [33] Accidental deck-gun firings were reported from the cruiser *Admiral Vinogradov* in Oct 1990, and an unidentified demagnetizing vessel suffered a shipboard fire in December.
- [34] A. Makurin, "Vo pole rakety stoyali," *Trud*, 20 Nov 1990, p. 4; G. Mironova, "Strategicheskoye vedro," *Komsomolskaya pravda*, 20 Nov 1990, p. 1.
- [35] Letter to the editor signed by 116 residents of Shkovoto-22 (Dunai), *Ogonek*, No. 52, 1990, p. 52.
- [36] "Siberian Official On Economic Consequences," FBIS, *DR/SOV*, 7 Mar 1990, pp. 111-112; interview with A. Belogonov, chairman of Amur Oblast Council, by A. Makurin, *Trud*, 26 Mar 1991, p. 3. Evidently, 90 percent of the region's enterprises are subordinate to all-union or republic ministries. These firms pay only a tiny portion of their taxes to local (krai-or oblast-level) governments.
- [37] For example, a serviceman reports on the Russian National Front campaign platform, which calls for a Far Eastern Republic with its own convertible currency and government. Captain-Lieutenant V. Shcherbina, letter to the editor, "Ne razvalivaite Rossiyu!" *Sovetskii voyn*, No. 11, 1990 p. 50. A series of opinions about the DVR (Dal'nevostochnaya Respublika, or Far Eastern Republic) are expressed in "Komu otdat' vlast'?" *Dal'nevostochnyi uchenyi*, No. 32, 1990, p. 3, and roundtable discussion in *Vechernyi Vladivostok*, 19 May 1990, p. 3. Also interview with A. Belogonov, *ibid*.
- [38] *Nikon Keizai Shimbun*, 27 Feb 1990 p. 9, translated as "Diplomat Says New Far East Republic 'Likely,'" FBIS, *DR/SOV*, 19 Mar 1990, p. 12.
- [39] A. Khorshilov, "Dal'nevostochnaya respublika?" *Lesnaya gazeta*, 22 Nov 1990, p. 1. The text of treaty is published in "Dal'nevostochniki ob'yedinyayut svoi ryady," *Problemy dal'nogo vostoka*, No. 6, 1990, pp. 3-5.
- [40] M. Nikolayev, "Pod blesk almazov," *Sovetskaya rossiya*, 29 Dec 1990, p. 2.
- [41] Conversations with Soviets in Vladivostok, 12-13 Sep 1990.
- [42] Lieutenant Colonel V. Usoltsev, "Takiye razniye partii," *Krasnaya zvezda*, 25 Nov 1990, p. 1. Also on the FERPF, "TASS on Referendum Results in Soviet Far East," FBIS, *DR/SOV*, 18 Mar 1991, p. 48; interview with A. Belegonov, *op. cit*.

# NOTES (Continued)

- [43] MVD report, "Bylo v Primorskom Krae," *Pravda*, 30 Nov 1990, p. 6.
- [44] "Yeltsin Considering Establishing Russian Army," FBIS, *DR/SOV*, 23 Nov 1990, p. 43; interview with A. Belegonov, op. cit.
- [45] Taken from comments of V. Filatov, "Sovetskii Dal'nyi Vostok i ATR," *Problemy dal'nogo vostoka*, No. 3, 1989, p. 17.
- [46] Book review by M. Bakhrakh, *Voprosy ekonomiki*, No. 5, 1990, p. 156.
- [47] A. Davydov, "Trud i kapital v eksportnykh zonakh Azii i dal'nogo vostoka," *Voprosy ekonomiki*, No. 6, 1990, pp. 107-109. Other examples of favorable discussion of the zones include A. Cherepanov, "Svobodniye ekonomicheskiye zony," *Izvestiya*, 14 Aug 1988, p. 5; Igor' Tomberg and Aleksandr Salitskii, "Spetsial'niye ekonomicheskiye zony: nuzhna kontseptsiya," *Moskovskiy novosti*, 6 Nov 1988, p. 7; I. Doronin, "Spetsial'niye ekonomicheskiye zony v sotsialisticheskoy khoziastve," *MEiMO*, No. 3, 1989, pp. 69-75; L. Vardomskii, "Zony svobodnogo predprinimatel'stva v sssr: poiski reshenii i protivorechiya deistvitel'nosti," *Voprosy ekonomiki*, No. 6, 1990, pp. 75-76; I. D. Ivanov, "Svobodniye ekonomicheskiye zony v SSSR," *EKO*, No. 2 (188), 1990, p. 179.
- [48] "Japan Urged to Participate in Economic Zones," FBIS, *DR/SOV*, 9 Feb 1989, pp. 17-18; also cited comments of Dmitrii A. Beskurnikov of the State Foreign Economic Commission, Peter Gumbel, "Moscow Opens Its Far East to Foreigners," *Wall Street Journal*, 3 May 1989, p. A14.
- [49] Kiyoshi Inagaki article published in *Ekonomisuto*, 23 Oct 1990, pp. 22-25, translated in FBIS, *DR/SOV*, 6 Dec 1990, p. 2.
- [50] Andrei I. Kuznetsov, "Svobodniye zony i natsional'naya ekonomika," *MEiMO*, No. 12, 1990, pp. 24-35. Other articles critical of the zones are M. Krushinskii, "Tuman nad svobodnymi zonami," *Izvestiya*, 11 Nov 1990, p. 2, and Yuriy Katasonov, "Sekrety Beringogo Morya," *Sovetskaya Rossiya*, 7 Feb 1991, p. 3.
- [51] Ivanov, op. cit., p. 182.
- [52] "Primoriye Expands Economic Ties With South Korea," FBIS, *DR/SOV*, 4 Jan 1990, p. 12.
- [53] "Hyundai's Plans in Primorskiy Krai Outlined," FBIS, *DR/SOV*, 9 May 1990, p. 22. Hyundai also recently announced plans to participate in construction of a huge petrochemical complex in Tobolsk. The venture, which also includes the U.S. firm Combustion Engineering, will be worth \$4-5 billion dollars.

NOTES (Continued)

- [54] "ROK Ship-Repair Firms Set Up Joint-Venture," FBIS, *DR/SOV*, 8 Jan 1990, p. 13.
- [55] From Joseph R. Morgan and Norton Ginsburg, "The Soviet Far East," *Oceanus*, Vol. 32, No. 4, Winter 1989-90, p. 17. See also T. M. Kuznetsova, "Chetyre zayavki na eksperiment," *EKO*, No. 11, 1990, pp. 121-131.
- [56] I. Demichenko, "Zony sovместного predprinimatel'stva," *Izvestiya*, 20 Sep 1989, p. 3. Another report states that a "special economic zone" was created in Nakhodka in May 1990 ("Hyundai's Plans," op. cit.). Another author claims that new tax structure and other preparations are being undertaken for the Maritime Province as a whole. "Vladivostok-90," op. cit., p. 38.
- [57] V. Gnezdilov, "'Vol'nyi gorod'--Nakhodka," *Rabochaya tribuna*, 1 Mar 1990 p. 2. See also Gnezdilov's comments in the roundtable discussion, "Ne dozhidayas' statusa zony," *EKO*, No. 11, 1990, p. 139.
- [58] Morgan and Ginsburg, "Notes From Nakhodka," op. cit.
- [59] Gnezdilov, op. cit., p. 25. Also Yuriy Balakirev, "Variant Nakhodki," *Izvestiya*, 8 Apr 1990, p. 2.
- [60] For a more complete description of Igirma-Tairiku's problems, I. Yuda (the Japanese deputy general manager of the firm), "Sovetskoye-Yaponskoye--znachit otlichnoye," *EKO*, No. 6, 1989, pp. 80-86.
- [61] L. Vardomskii, op. cit.
- [62] The size and position of this zone comes from Joseph R. Morgan and Norton Ginsburg, "Notes From Nakhodka," *Oceanus*, Vol. 32, No. 4, Winter 1989-90, p. 51. Also statements of G. P. Zhebelev in "Ne dozhidayas' statusa zony," op. cit., p. 141.
- [63] "Port of Vanino To Serve Foreign Ships," FBIS, *DR/SOV*, 25 Jan 1991, p. 50.
- [64] Ivanov, op. cit., p. 178.
- [65] "Sakhalin Prepares to Set Up Economic Free Zone," FBIS, *DR/SOV*, 12 Feb 1991, p. 91. Also, on Federov's experiment, "Moya kontseptsiya," *Problemy dal'nogo vostoka*, No. 6, 1990, pp. 6-16, and *Yomiuri shimbun*, 6 Feb 1991, translated in FBIS, *DR/EAS*, 4 Apr 1991, p. 7.



NOTES (Continued)

- [66] "Japanese Firm Entering Soviet Lumber Business," FBIS, *DR/SOV*, 31 Oct 1990, p. 15. "Foreigners allowed to use Vladivostok Airport," FBIS, *DR/SOV*, 12 Feb 1991, p. 52.
- [67] On the multinational plan for development of the Tumen River basin, Mikhail Titarenko, "ATR na poroge XXI veka: kharakter i kriterii progressa," *Problemy dal'nogo vostoka*, No. 6, 1990, p. 45.
- [68] "Hyundai's Plans," op. cit.
- [69] V. I. Kochergin, "Tekhnika s vostoka," *EKO*, No. 6, 1989, p. 6.
- [70] "Sakhalin Halts Raw Material Exports to Japan," FBIS, *DR/SOV*, 29 Jun 1990, p. 16.
- [71] Morgan and Ginsburg, "The Soviet Far East," op. cit.